

ECSTASY OF WAR PROFITS MAKES US FORGET FUTURE

The Foreign Trade of Nation Has Been Doubled in Volume Within a Year, but the Increase Does Not Rest on a Permanent Foundation

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OUR commerce of this year will so far exceed that of any other part of the world that the figures stand out in bold relief when compared with those of any other countries or with our own record prior to the war.

Our total international commerce in the year which ends next month will approximate \$8,000,000,000, against \$4,000,000,000 in 1914, \$3,000,000,000 in 1907 and \$2,000,000,000 in 1900. Our trade of this year will be 25 per cent greater than that of Great Britain, 50 per cent larger than that of Germany in the year preceding the war, and double that of France in the current year. Our total trade of approximately \$8,000,000,000 exceeds the entire commerce of Asia, Africa, South America and Oceania combined and is nearly one-fifth of the international trade of the entire world.

Do we fully realize how big a sum a billion dollars is? Let's take a familiar illustration. An expert counter of coins will count silver dollars at the rate of 66 a minute, 4,000 an hour, 30,000 in an eight-hour day, and therefore 1,000,000 in thirty-three working days. But at that rate how long would it take him to count a billion? Get out your multiplication tables and figure it out, and when you do you will find that this expert, working every day in the year except Sundays and holidays, will require 110 years to count one billion silver dollars.

Necessarily, the figures of world commerce in 1916 thus far received represent only a part of the year. In our own trade we have complete figures for nine months, and those of the Port of New York for the tenth month, and upon these figures is based the estimate that our international trade in the full year will approximate \$8,000,000,000, against \$4,000,000,000 in 1914, \$3,000,000,000 in 1907 and \$2,000,000,000 in 1900.

Internal Trade Placed at \$40,000,000,000

Even this enormous figure of approximately \$8,000,000,000 as the foreign trade of the country is a trifle when compared with the domestic or internal trade of the United States, which I estimate at fully \$40,000,000,000, counting only a single transaction in the merchandise handled among our own people. While there is no official measurement of our internal traffic, we may by taking the stated value of all articles turned out by our factories, farms, fisheries, forests and mines, and adding to this the merchandise imported, get a general measurement of the merchandise forming the internal trade. And in doing so a grand total of approximately \$40,000,000,000 is obtained as the value of the merchandise handled among the people of the United States, including in this estimate only one actual handling of the merchandise in question. The value of our manufactures alone was, in 1914, \$24,000,000,000, and must have been much larger in 1916. The wealth production of farms is estimated by the Department of Agriculture at \$10,500,000,000 in 1915, and must have been fully as much in 1916, with the marked advance in prices. The product of the mines is set down by the Geological Survey at approximately \$2,500,000,000 in 1913, and with the increased prices of iron, copper, lead, zinc and other mineral products must be greatly in excess of this sum in the current year. Add to this the products of the forests, fisheries and other industries, and we are justified in assuming that the internal commerce of the country, a single handling of all of our domestic products plus the \$2,500,000,000 worth of merchandise imported, will bring the grand total of our domestic commerce this year up to approximately \$40,000,000,000.

This grand total of \$40,000,000,000, the value of the merchandise annually handled in our internal commerce, equals the stated value of the international commerce of the entire world, but is in fact twice as great as the total actual value of the merchandise forming the world's international trade, since in stating the value of the world's international commerce we include both exports and imports of every country, and when we reflect that every article exported becomes an import when it reaches the country of destination we see that the value of the merchandise forming this international trade is only about one-half of the mer-

chandise forming the entire international trade of the world.

Turning again to the specific question of the 1916 commerce of the world, the classes of material of which it is composed and the bearing of present trade movements upon those which are to follow the close of the war, we are able to present official figures of the trade of twenty principal countries during more than half, and in some cases three-fourths, of the year. These twenty countries for which we have figures had in the year 1914, when conditions were normal, about two-thirds of the entire international trade of the world, and are the principal producing nations of the world in agriculture, manufacture and mineral products. We may, therefore, assume that their official statistics, covering considerably more than one-half of the year's international trade, furnish a reasonable basis upon which to estimate the world commerce of the full year and its meaning, present and prospective.

1916 Record Year in International Trade

The total international trade of 1916 will probably exceed in stated value that of any earlier year. Our own trade is double that of 1914, while in most of the other countries the trade figures now available are materially larger than those of 1913, an absolutely normal year, in which world commerce aggregated more than \$4,000,000,000. True, there are certain countries, notably Germany, Austria-Hungary and Turkey, for which no figures are now available, but we must not assume that their trade is entirely out of existence by reason of the difficulties which it encounters on the oceans, for the exchanges between those countries and with the countries bordering upon them are undoubtedly very great—much larger than normal, in fact.

Still another class of international commerce for which we have at present no official record, and perhaps may never have, is the war materials and other merchandise imported or exported by certain governments which do not include government merchandise in their trade statistics. The British government's imports in 1915 not shown in her trade figures were estimated by "The London Statist" at fully \$600,000,000, and it is probable that the value of the merchandise sent out of the country to its own troops or for the Allied forces is much greater than that, but the bulk of this great movement is unrecorded, and therefore not included in the official trade records of that country. We are thus, in my opinion, fully justified in estimating \$40,000,000,000 as the value of the international trade of the world in 1916.

This large increase in the value of world trade does not necessarily, however, mean so large an increase in quantity moved as the figures suggest. Higher prices in 1916 account for a considerable proportion of the advance in stated values, both in our own country and in other parts of the world. In many important articles entering international trade the prices per unit of quantity are now much higher than in 1914. Pig iron imports into the United States, for example, which averaged \$34 a ton in July, 1914, were \$101 a ton in May, 1916; bar iron advanced from \$23 a ton in 1914 to \$102 in 1916; ingots and blooms imported in July, 1914, at 3 cents a pound, were imported in August, 1916, at 8 cents a pound; tin plates in 1914, 3 cents a pound, and in 1916 11 cents; raw silk which a year ago was exported to us from the Orient at \$2.73 a pound, is now sent us at \$4.67 a pound, while in our own export statement prices of wheat, cotton, copper and many other articles show also very large increases in values per unit of quantity. So great is the average increased value of many articles of commerce that the United States Consul General at Paris, in a recent communication to the State Department, reported that the imports of France average 90 per cent higher in values per unit of quantity than in 1914, and the exports an average advance of 50 per cent over 1914.

What Other Countries Are Doing

World trade conditions in 1916, as shown by latest official returns, are as follows:

Great Britain is increasing her exports and imports, especially the latter, and this is also true of France. Russia's exports are larger, but her imports are greatly reduced. Italy's imports are larger, and her exports slightly reduced. Spain's imports are reduced, but her exports increased.

Germany and her allies are issuing no statements regarding their trade. The Netherlands and the Scandinavian states supply no monthly trade figures. Argentina's exports are below those of last year, but the imports are increasing. Brazil shows an increase in both imports and exports, and so does Chile. Japan's imports and exports are larger, but China and India show a fall in both exports and imports. Australia and New Zealand report increases of imports and exports, and this is also true of Canada, Cuba, Egypt and British South Africa. The record of the United States is before you every day, an enormous increase in exports, and a material advance in imports.

It is, however, in the classes of articles forming this greatly increased international trade that we are especially interested. The demands of the war have changed the movement of certain lines of merchandise. Our exports of explosives, for example, grew from \$6,000,000 in 1914 to \$467,000,000 in 1916; fresh beef export increased from 7,000,000 pounds in 1914 to 231,000,000 in 1916. Exports of knit goods from the United States were in 1916 nearly ten times as much in value as in the year before the war, and practically all of them went to the trenches; while in woolen goods the outward movement in 1916 was also ten times as much in value as in 1914.

Every country which has foodstuffs to spare has been drawn upon by the warring countries to the limit of its surplus, and upon every manufacturing country the calls have been equally earnest, irrespective of prices. Argentina, Brazil, Australia, New Zealand and Canada have exported enormous quantities of breadstuffs and meats to the warring nations, and the United States, Canada and Japan, the only manufacturing countries outside of Europe, are supplying enormous quantities of manufactures; not merely war munitions, but many other articles necessary for the battlefield or the movement of troops and supplies. Practically all of the increase in our exports to Europe, an advance from \$1,500,000,000 in 1914 to \$3,000,000,000 in 1916, is due to the demands of war, whether for food, clothing, transportation facilities or actual warfare, and this is true in perhaps a somewhat less degree of the great increase which has occurred in the export trade of Canada and Japan.

War's Effect on Neutral Nations

As to the effect of the war upon the import trade of the neutral countries and grand divisions, Great Britain, France, Belgium, Italy, Germany and Austria-Hungary supplied before the war the bulk of the foreign merchandise entering South America, Asia, Africa and Oceania. American merchandise then entering those grand divisions formed less than 10 per cent of the total, and the bulk of the remainder was drawn from the countries which for the last two years have been at war. Naturally, we expected that the countries entering the war would be unable to supply the markets which had formerly relied upon them, and that this would result in a great increase in our own exports to the neutral world as well as to the countries requiring our products for the war.

In this ambition to capture any considerable percentage of the import trade of the neutral world our experiences have been disappointing. This is not a pleasant statement to make, but it is a duty to the manufacturers of this country to make it. True, we have shown a moderate increase in our exports to all of the neutral sections and most of the neutral countries, but the growth has been little more than normal, and has not justified the expectations, which were based upon the assumption that the European countries would be unable to continue their exports, at least in anything approaching normal. The increase in our exports to Asia, exclusive of those for Russia sent by way of its Asiatic frontage, is but \$35,000,000 when we compare the figures of the fiscal year 1916 with those of 1914, to Africa \$16,000,000, to Oceania \$16,000,000 and to South America \$55,000,000. To the North American countries, our immediate neighbors, the increase has been much larger and amounts to \$234,000,000, but more than half of this has been to Canada, which has drawn largely upon us for supplies which ultimately reached the warring nations, or for the troops which they were sending to aid the mother

country in the war. To the neutral countries of Europe the increase has been large, but a considerable percentage of this has probably passed thence to the nations at war, while the remainder is chiefly a temporary demand, due to the inability of those countries to obtain their usual supplies from their immediate neighbors in Europe.

Gain in Exports to Europe Temporary

Little of this increase in our exports to the neutral European countries can be expected to be permanent, and, as for the neutral countries in other parts of the world, we have already evidence that every country now at war will at the return of peace enter upon an active campaign to regain any part of their foreign trade which we may have absorbed during the period in which they were unable to give it the usual attention. Indeed, their campaign for regaining those markets has already begun. British exports in the ten months of the present year actually show a larger value of domestic merchandise exported than in the corresponding months of 1914, most of which cover a period prior to the beginning of the war. The total of British exports for the ten months of this year amounted to \$2,059,000,000, against \$2,019,000,000 in the corresponding months of 1914. In France the exports of the first eight months of the current year, while officially stated at but \$433,000,000, against \$375,000,000 in the same months of 1914, are, in fact, according to a statement by our Consul General at Paris, about \$650,000,000, when based upon a proper valuation, and this, it must be remembered, is an exportation from but about 60 per cent of the manufacturing area of that country, the remainder being either under German control or occupied by the armies of the Allies. And, when we consider that France has already taken vigorous steps for the re-establishment of her foreign trade at the termination of hostilities, it is apparent that she will also expect to regain a large proportion of the trade which has temporarily passed into our hands. This is apparently also true of Germany, which, according to current reports, is planning for an active trade campaign in the other grand divisions when the re-establishment of peace permits her to resume her commercial activities abroad. As to our exports to the warring countries, which have so enormously increased, we must expect, of course, an absolute termination of the movements of materials now utilized in conjunction with the war, while the very facility with which we transformed our manufacturing establishments into a condition by which they could quickly turn out war materials suggests that the manufacturing establishments of Europe will promptly readjust their present war industries to meet domestic requirements of their own people, and also those required for re-establishing their markets abroad, and they may also pour into this country, through the widely open doors supplied by the lowest tariff that we have ever had, large quantities of merchandise to compete with our own manufacturing establishments.

As to the theory that the warring nations are likely to refuse to trade with each other after the war, it is not, in my opinion, a tenable one. Certainly, no such thing has ever happened at the close of other wars in which the bitterness during the period of hostilities was just as great as that which now exists between the hostile nations.

It is not a pleasant duty to state these facts with reference to the probable future of world trade, and especially our own relations thereto, but it is nevertheless a duty to you, representing our great banking and financial interests, as well as to the manufacturers of this country, which must look to manufactures as the chief source for the future enlargement of our exports. We are no longer able to spare for foreign countries any considerable quantity of agricultural products other than cotton, and if we are to continue to increase our exports and maintain our rank as an exporting nation it must be accomplished with the products of our manufacturing industries.

Manufacturers

Neglect Opportunities. It must be admitted, painful as it is to make this admission, that our manufacturers have not risen to the opportunity offered by conditions in the neutral countries during the past two years. They have devoted their attention to the momentary opportunity offered by the war demands of Europe rather than to plodding, persistent effort to obtain for themselves a proper proportion of the neutral markets opened to them by the situation which presented itself at the beginning of the war. Manufacturers cannot be successfully sold in countries having habits of life different from our own unless they are prepared in form to meet the local customs and requirements of those countries and sold upon terms to which those countries are accustomed. This requirement of the foreign trade, especially in the Orient and the tropics, has been neglected—overlooked, let us say as a milder term—by our manufacturers. The total gain of two years in our ex-

ports to South America, Asia, Africa and Oceania combined is but \$122,000,000, an annual average no greater than the gain of the normal year 1912. The exports of cotton piece goods to the whole world by this country, which produces two-thirds of the cotton of the world, amounted in the full fiscal year 1916 to but 550,000,000 yards, against an average of nearly 500,000,000 yards per month by Great Britain in the current year. We have been so absorbed in the admiration of the temporary increase of our exports to the countries at war that we have overlooked apparently the more important duty of making permanent gains in our exports to those markets to which we must look for the future growth of our exports in that line which must supply the future growth—manufactures.

Still Time to Remedy Mistakes

It is not, however, too late to remedy this mistake which our manufacturers have made in neglecting a proper cultivation of the markets to which they must go for the future enlargement of their export trade. In all of the neutral countries the world over manufactures form the chief feature of the import trade. They are the sections of the world which absorb a large proportion of the \$8,000,000,000 worth of manufactures annually entering the international trade. Of that \$8,000,000,000 we supply normally but about \$1,000,000,000 worth, and we should not permit the temporary demands of the war nations to prevent our seizing this exceptional opportunity to strengthen our hold upon the markets which absorb much of this \$8,000,000,000 worth of manufactures, the very class of merchandise in which rests the future hope of our own commerce.

China Makes Loans to Keep Army Subdued

Necessity of Raising Large Sums for Soldiers Hand-

By ADACHI KINOSUKE.

Just what is the matter with China? What does she do with her wealth, with all her revenue?

The central government at Peking gets along with about \$65,000,000 (Chinese dollars) a year. The government salt monopoly alone in 1915 brought in more than \$89,000,000. Customs duties usually bring in about \$45,000,000. The internal transit tax, called *likin*, brings over \$86,000,000 a year. Land tax in the estimate for 1915 was figured at \$71,370,000. Then there is no small income from her railways and other industrial undertakings. What does she do with her money?

For one thing, the military and administrative expenditures of the provinces take about \$240,000,000. And for another thing, she has to pay out about \$120,000,000 for the interest charges of her foreign loans and for indemnity. But after all the imposing table of the finance department does not explain the trouble.

A Peking telegram to the Tokyo papers, dated October 30, 1916, draws out the real reason of it all into the full garish glare of footlights—not dramatic, but only theatrical. It said that the central government has granted the petition of the provincial chief of Kuangtung to secure a loan of \$6,000,000 from the Bank of Formosa—a Japanese bank—to pay off the soldiers and disband them.

Her soldier and her debt habit are the two deadliest mildews of China's finance.

In China everything is upside down. It is the absence of money that is the root of all Chinese evils nowadays. And her own army is her worst enemy. The first and imperative step in her national defence is the disbandment of her armies and the disarming of her soldiers.

An Imposing External Debt

In 1912 Dr. Ching Chun-wang, who was then the assistant director of the Peking-Moukden Railway, boasted of the happy fact that his country had broken away from the opium habit. He, however, could not say that she broke away from her debt habit, nor deny that the foreign loan habit of China was the more deadly of the two. The bare table of China's foreign and domestic debts is, in fact, much more imposing than the Imperial funeral rites in the palmy days of the Ta Tsing Dynasty. Beginning with the "Casell Loan" of 1895, for one million pounds sterling, down to the five million yen loan, which had something to do with the silver mines of Hunan and the copper mines at Tungkuashan in Anhui—the highly spicy incident that caused the Chinese Finance Minister, Dr. Chen Chin-tao, to tender his resignation, and which is one of the most vociferous scandals at this very moment in political Peking—the total of China's debts reaches far above the 200,000,000 pounds sterling mark. In addition, there is something like \$77,000,000 (Chinese dollars) of the so-called short term domestic and foreign loans for various purposes. China is to-day paying out something like 120 million Chinese dollars in interest charges annually on her foreign loans.

And it was said that at the time Dr. Chen took over the portfolio of the Minister of Finance he could see

the bottom of the treasury without any particular effort, but for the life of him could not see his way clear in meeting the pressing bills just to carry on the Chinese government from day to day. And in all the sad and mottled history of financial China, never was there a time when the national treasury cried for a loan of some sort of any old sort, as it is doing right now.

And the one thing which gives such a black and sinister complexion to this hand-to-mouth finance of China is the Chinese army.

Blame Placed on Army

In other lands the army is the keeper of order within; it defends the country against the enemy from without. The Chinese army is unique in that it is the constant and persistent threat against the peace and order of the land. It is absolutely useless against the modern army of her neighbors. It is even useless against the roaming tribesmen of Tibet; it has proven its worthlessness against the robber bands of Manchuria and Inner Mongolia—even to its own satisfaction.

More than 100,000 men of the Chinese regular army tried to catch the now famous "White Wolf Band." That was in 1914. And the "White Wolf Band" was nothing but a collection of a little more than 1,000 robbers, who, in the face of three divisions of the Chinese army trying to bring them to justice, forsooth, started from Hunan, crossed over to the Eastern seaboard to the city of Lianchow, which is within a few hundred miles from the coast, faced about and crossed the whole width of China, literally to her western boundary, burning cities, killing men and ravishing women as they went, and, not content with that, doubled back to their starting point.

For six long, weary months the Chinese army tracked, surrounded and formed "cordons" without number about them and in the end did not catch them. To save the situation the members of the "White Wolf Band" cut themselves into merry companies of thirty to forty men and joined the Republican army of China in the end!

But in no way does the Chinese army prove itself as deadly as in its dealing with the finance of the country. Let us go back to the incident at Canton—which is so recent that the American metropolitan dailies have not carried a single column on it as yet.

Difficult to Disband Troops

General Lung was the Tsuchun—as the military governor of a province is called—in the Kuangtung Province. The rebels under the famous Republican leader, Tsien Chun-huan, attacked him at Canton. The rebel leader was reported to have under him some 50,000 men, 20,000 of whom were ex-pirates. General Lung had been successful in fighting off the attacks of the rebels and keeping the city of Canton from being plundered. But, of course, in his work he had to have a number of soldiers, and he had gathered them out of the usual source—among the coolies, outlaws and so on. Now, a few months ago, the central government at Peking appointed a new military governor to succeed General Lung. The new man, whose name is General Lu, went down to Canton, obeying the order of the central government.

In America or in Japan nothing could have been simpler—General Lung would have turned over his forces to General Lu, his successor. That would have been about all. Being a Chinese general over Chinese soldiers—he had 23,000 men under him—General Lung demanded of the central government the payment of \$3,000,000. He wanted that amount to pay off his soldiers in order to disband them. Those men had not had their pay for some time, and they would not think of disbanding until they are paid in full and with something besides as bounty. But why disband them? Why would not the new military governor take them over under his command? In the first place, the newly appointed governor has his own men, numbering some 10,000. Moreover, he would not think of such a thing as retaining the men gathered under his predecessor's command—they are little better than outlaws! Which is true enough. It is also true that the 10,000 of his own men are not a whit less disreputable. There was nothing to do but to disband the men under General Lung.

Soldiers Loot if Not Paid

Suppose, now, the central government would not pay General Lung the \$3,000,000 he asks—what then? He would simply stay in Canton with his men. And what would his men do when they are not paid by the government? They simply do the duty as all the Chinese soldiers see it; they go right out among the people and loot. And what about the rebel troops, reported to be 50,000 strong, and their commander in chief Tsien? Tsien was at first denounced roundly in opposing the ex-Military Governor Lung.

The central government has no money in the treasury. But that is neither here nor there, especially with Tsien's men. They are not losing sleep over the matter; they know perfectly well what they would do. It does not take much brains to fare forth into a street filled with wealthy merchants and help one's self to money and things—that is to say, if you happen to be the Chinese soldier and trained to the business.

Brigandage at all times in China, and in many of the provinces, is a regular profession, complementary to the military profession, says the Peking correspondent of "The China Daily News," the foremost British daily published in the Far East. Naturally the one great national defence measure for which China to-day is crying more insistently and impatiently than for others is the disbandment of the present army of China. Even while the United States is voting hundreds of millions of dollars for the creation of a great army, China, on the other side of the globe, is praying that she be delivered from her own soldiers.

And this, precisely, is the one outstanding financial problem of China at present.

GERMANY IN PEACE CANNOT SUBSIST ON SYNTHETIC MIRACLES

When She Resumes Trade with the United States
Makeshift Substitutes for Many Articles Imported

Before the War Will Be Discarded

By ERNST KAHN

Berlin, October 1.

The German Empire in time of peace had slowly grown to be the second best customer of the United States. More than three hundred million dollars' worth of American goods were bought annually. Today it can hardly get 1 per cent of this total. The United States is at the moment not feeling to any degree the elimination of this once splendid customer, as the selling of goods to the Entente Allies more than fully compensates the loss of Germany's custom. That will not remain so forever.

After the war the Entente countries now living on their capital will not even buy as much as in the last years of peace, for the greatest economy will be necessary for them. England's economic life faces a fundamental change. That country, having neglected its own production to a high degree as compared with Germany, is bound to raise by every means the domestic production of its industries, but especially of its agriculture. As a consequence, English imports will sharply recede. On this account alone the question is of great importance to America if Germany will again appear as buyer as formerly. To it we must add the second question: Can Germany pay for a considerable import of goods?

Many Epoch-Making Inventions

Many an American may consider the once splendid custom as lost, for when a country after more than two years of warfare has been getting along without American goods once considered absolutely necessary, then it may be possible to be able to do so later on. This assumption might be strengthened further by news constantly recurring of epoch-making German inventions. One hears of substitutes for copper, cotton, saltpetre, artificial rubber and many other things, and this news is no bluff. The best proof of the truth of these reports consists in the fact that Germany up to the present time is not lacking ammunition, that the automobile is still in active service, and that the great electrical concerns, in spite of the lacking import of copper, are doing more construction work than in times of peace.

And yet the assumption that Germany can in the future do without these former imports is totally wrong, for a great number of these substitutes are so expensive that they will, when peace comes, not be able to compete. One has to distinguish in these substitutes between two kinds, namely (a) those able to stand up under foreign competition, and (b) those that worry along only thanks to the necessity of the moment. Now, it so happens that just those materials which without doubt will prove for all future time an enrichment of Germany, and which will therefore be retained in the economic life of peace, offer no competition to products of the United States.

As far as it is possible to judge for the outsider, the most splendid technical progress is represented by the production of nitrogen from the air, based upon the process of Professor Haber. There are two reasons for this fact: First, the production is extraordinarily cheap; second, the production can be increased indefinitely, as no raw materials are necessary, with the exception of air and coal. This invention should enable Germany to multiply its production of foodstuffs for animals and also for the human being. Possibly Germany will save in future years its entire bill for import of foodstuffs, which had finally increased to nearly three billion marks. As it is well known, Germany has never imported a considerable amount of foodstuffs from the United States. These came especially from Russia, Rumania and South America.

Substitutes Are Mostly Makeshifts

Less clear is the situation in connection with the ability of the artificial rubber to stand up under free competition. As little as is known about it publicly, yet the manufacture of artificial rubber to-day seems to be extraordinarily expensive. That may, to be sure, improve with increasing experience, but even if the manufacture of artificial rubber should succeed without any drawback, it would also not be a loss to the United States, as the United States does not produce rubber.

If one looks at the substitutes for goods formerly imported from the United States, one will see that in most cases they are unsatisfactory makeshifts. That is especially true of the most important American raw material, viz., cotton. Nearly one-half of the American export to Germany in time of peace consists

of cotton. Germany has managed, in spite of the English so-called blockade, to clothe its civil population, and especially also its army. That is explained partly through the increased importation of Turkish cotton, but also through the increased use of substitutes, of which the nettle might be mentioned. In addition, paper has largely been used for certain purposes, such as bags and cord, but nobody will be so foolish as to believe that for the future American cotton might be dispensed with. Turkey cannot, on the one hand, for a long time to come supply the necessary quantity, and, besides, the cost of transportation from Turkey to Germany is still decidedly higher than that from the Southern states.

The much praised domestic substitutes are only good for a very limited number of goods, and are, in addition to that, probably more expensive. The conditions in regard to copper are somewhat similar. As far as the substitutes for oil are concerned, that is a subject very difficult to judge for the outsider; apparently, very remarkable inventions have been made which concern the distillation of oil from soft coal and coal from slate. What one gallon of oil so secured costs is not known. If it will be able to compete with American oil must remain an open question, but one point is quite certain: In spite of these remarkable inventions, Germany must at present use the greatest economy, and the sale of oil was for a brief period completely forbidden for illuminating purposes. To-day this situation has improved. But still there is a considerable deficiency. One may readily recognize also that this important export article of the United States will not be superfluous after the war. Merely the importation of gasoline might be reduced permanently through the substitute distilled from coal.

Isolated State Idea Not Regarded Seriously

The leading German economic circles are anyhow prudent enough to realize that the idea of an isolated state would nowhere be more foolish than in Germany after the war. What, after all, does international trade mean, if not the export of such products which a country may be able to produce advantageously, and the import of such other products as can be produced more cheaply in foreign countries? A country, therefore, which produces products that could at other places be bought more cheaply indulges in the extravagance, favoring only a very small number of privileged persons. If such an extravagance is already stupid in normal peace times, it would be a direct crime against the entire population after this war, involving such enormous sacrifices.

Now, the question will probably arise in the United States whether a country will be able to raise the money necessary for such great imports after a war that has brought with it such unexpected expenses. Is the German economic system still able to pay its bills? He who asks such a question overlooks two things: First, the expenses of Germany are in contrast to those of the Entente. Germany could not, owing to the tactics of England, place any more orders in foreign countries, but ordered all requirements of its army from domestic producers, who, as a consequence, have realized simply dizzy war profits, something much clearly shown in the subscriptions to the war loans. This money will later on, to a large extent, come back to the state in the form of taxes on war profits. In addition, Germany has a reserve fund especially for the financing of imports that can be made available any day. That is the ownership of foreign securities. Germany had when the war started at least twenty billion marks of foreign securities in its possession. Of these, only the smallest amount has been sent to foreign countries. At the present time the German government is listing these foreign securities, in order to have the exact amount of the securities still remaining. These might just as readily be used by us for the financing of American imports, as England has used her foreign securities. Finally, one must not overlook the fact that Germany after the war will at once be in a position to export a number of products for which there is an active demand in the United States. We only mention dyestuffs and potash. As far as one may judge, therefore, the very moment when the war demands will come to a stop, the peace demands of Germany will take their place, and will go a long way toward safeguarding the present active economic life of the United States against a sudden stoppage of exports to Europe.